



SUCCESS STORY

Nigerian rice farmers: Making money and feeding the country

U.S. Government in partnership to increase rice production in Nigeria



Farmers fertilizing rice crop in Benue state, Nigeria

Olam Nigeria Limited

Farming as a business: One of the fundamental successes of the USAID/MARKETS/OLAM partnership is the change in how smallholders view farming. Mr. Vitalis Tarnogo, the 35 year old farmer pictured above is one of hundreds of farmers who have taken up farming because of the impact of the partnership in the Benue state. In 2006, Vitalis cultivated ten hectares of rice, but increased that to 60 hectares in 2008.

Nigerians consume about 5.4 million metric tons of rice annually (valued at \$9.2 billion at current prices), while local production only amounts to about 2.3 million metric tons per year. The remaining 3.1 million metric tons is imported, making Nigeria the second largest importer of rice in the world. The key problem facing the rice sub-sector is lack of competitiveness resulting from low and uneconomic productivity, poor access to expensive inputs (especially fertilizers and credit), low capacity to meet quality standards and little or no encouragement of private sector participation. Poised to reverse this trend, the government of Nigeria developed farmer-friendly policies with the Presidential Initiative on Rice.

Taking advantage of the present government policy of high import tariffs on milled rice, Olam Nigeria Limited, a major rice importer, decided to test a new business approach by investing in local production of high quality rice for Nigeria's domestic market. In 2005, Olam began processing locally produced rice from a government leased mill located in Makurdi, Benue state. However, Olam was faced with the challenge of an insufficient supply of high quality paddy rice to meet their 18,000 metric ton capacity. In 2006, the U.S. Government, through USAID, entered into a partnership with Olam. The goal of this partnership was to promote demand-driven production by developing a supply chain model that encouraged the use of improved technologies, farmer capacity building, commercial linkages to credible market outlets (such as mills) and strategic public-private partnerships.

This program is divided into three components: 1) production through an extension out-growers program; 2) value addition through processing; and 3) increasing market share in finished product markets through improved product quality and branding. The out-growers program is designed to strengthen the capacity of smallholder farmers to produce a sustainable supply of high quality paddy. The extension program develops farmers' capacities to economically use appropriate production and post-harvest technologies to ensure improved productivity and a sustained volume of high quality paddy at economically viable costs. Model farms are used for the multiplication of improved rice varieties and as a platform for farmer training, field days



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and demonstrations. The factory provides a credible market by paying a premium for paddy rice that meets both quality and quantity requirements.

In 2006, U.S. Government through the USAID/MARKETS/Olam partnership provided over 10,000 farmers with secure markets, high quality inputs, access to commercial finance, and technical assistance to produce high quality rice. This resulted in on-farm productivity increases of almost 260% from a base figure of 1.25 metric tons per hectare to an average yield of 3.25 metric tons per hectare. More importantly, farmer net income more than doubled. On model farms, which were increased in size from 22 hectares to 100 hectares, recorded yields ranging from 3 to 6.5 metric tons per hectare. In 2007, factory capacity was upgraded from 18,000 to 36,000 metric tons per annum, almost doubling the value-added market for local farmers and capitalizing on the increased availability of quality paddy. In 2008, the success of the program encouraged First Bank, a Nigerian commercial bank, to become a major stakeholder with a small-holder farmer commercial credit program, providing \$2.5 million in credit to over 8,000 farmers. The program has demonstrated the benefits of a market-driven value chain model for all stakeholders, including farmers, input dealers, financial institutions, processors and public sector partners and is being replicated in Kwara state.

Because of the success of this partnership, Olam Nigeria Limited was one of ten winners of the 2008 World Business and Development Awards (WBDA). Sponsored by the United Nations Development Program (UNDP), the International Chamber of Commerce, and the International Business Leaders Forum, the award is given to companies whose work demonstrates that “business can both make a significant contribution to development and be commercially successful at the same time.”